ANNUAL REPORT

2000

Waterfront Development Corporation Limited

MESSAGE FROM THE CORPORATION FOR 1999 - 2000

Waterfront Development Corporation Limited

HIGHLIGHTS

- Fiscal 1999 a record year. Operating profits exceeded $1,000,000, a 35 percent increase over last year.
- Revenues through government grants of close to $200,000.00 represented approximately 15% of our capital costs for non-owned infrastructure.
- Continued growth in our short-term parking lot revenues resulting in total revenue of over $3 million versus $2.4 million the previous year and, a net earnings of over $1 million versus $751,000.00 the previous year.
- A major accomplishment, the beginning of construction of Bishop's Landing, a major mixed residential / commercial development.
- A residential development in Dartmouth in partnership with HRM. Construction to begin summer 2000.
- Completion of the Halifax boardwalk from Casino Nova Scotia to Pier 21.
- Financed 65 percent of cost of new public washrooms at the Halifax Ferry Terminal in partnership with HRM.
- Over 130 new public parking spaces at Queen's Landing.
- Major planning and coordination initiatives for Tall Ships 2000.
- Five major festivals.
- Review of the Halifax Waterfront Plan was initiated.
- Design and implementation plan for a wayfinding and interpretation signage system in Halifax.
- Cost shared 50 percent of a wayfinding and signage system study for the Dartmouth waterfront with Downtown Dartmouth Development Corporation.

PROGRAM ACTIVITIES

1. PROPERTY ACQUISITION, MANAGEMENT AND DEVELOPMENT:

- **Bishop's Landing Under Construction** - the total cost is now estimated at $32 million, which is almost 100% higher than the original 1994 estimates. In addition to the returns to WDCL, the Municipality, in particular, will enjoy an annual tax of $800,000.00. After a long appeal process, the courts approved the project. During this delay, market improvements resulted in enhancements. Additional commercial space at the ground floor, financial contributions to public amenities by the developer and public washrooms are some of these. On a present value basis, the returns to the WDCL are $2.5 million.
- **Halifax Boardwalk Completed** - the completion of Tall Ships Quay and an adjacent wharf and boardwalk is a major link between the downtown waterfront and the Cruise Ship Pavilion / Pier 21 attraction. We now connect, with public access, the entire harbourfront from Casino Nova Scotia to Pier 21 / Cruise Ship Pavilion, over 4 kilometres of wharves and walkways. This is the largest harbourfront facility of its kind in any seaport. This new wharfage is a deep-water berthing facility for public use which will be fully utilized in July 2000 when the largest tall ship gathering in history (over 100 tall ships) will be in this harbour for Tall Ships 2000 organized by Tall Ships Nova Scotia in co-operation with WDCL.
- **Washroom Facility** - the Corporation partnered with HRM in the renovation and enlargement of washrooms at the Halifax Ferry Terminal. WDCL paid 65 percent of this $110,000.00 renovation.
- **Dartmouth Cove** - a business strategy for improving and leasing properties to marine businesses in Dartmouth Cove was developed. This plan included consultation with the community and businesses. A leasing agent was commissioned.
- **Sheraton Hotel** - with the opening of Casino Nova Scotia, the Sheraton is undertaking a multi-

million dollar upgrade including extensive exterior patio / dining space overlooking the boardwalk.

- **Queen's Landing** - former lands of the Department of Fisheries and RCMP were acquired and improved with construction of temporary public parking and an events plaza. Over 130 new parking spaces have been created. Cost savings were achieved through a new pay-and-display parking system.

- **Retail** - new revenue-generating vendors were installed, on a temporary basis. A new addition to the Tour Boat Centre, Bluenose II Foundation Shop, was also added.

- **Public Safety / Maintenance** - in order to improve safety, especially during evening and early morning hours, the Corporation hired a security force to patrol the waterfront. As well, through the cooperation of the Sheraton Hotel, HRM and MTT, six pay phones have been installed in strategic locations to allow 24 hours access to 911 emergency calling. The Corporation continues to partner with the Downtown Halifax Business Commission in a litter pickup / landscaping program.

- **Berthing** - this was the second year for providing professional berthing services to visiting yachts. The number of large luxury yachts has increased with customers returning on a regular basis. Fees from visiting boats pay for the berthing master and assist with security cost.

- **Dartmouth Housing** - the Corporation, in association with HRM, successfully negotiated the sale of land in Dartmouth for a 25-unit townhouse development. Construction will occur in the summer and fall of 2000.

2. PROMOTIONS

- **Tall Ships 2000** - major planning and administrative support for Tall Ships Nova Scotia has been provided by corporation staff and the Chair of the Board. This intensive effort has been underway for over three years with the most concentrated effort in 1999 and 2000.

- **Winterfest** - in partnership with the Downtown Halifax Business Commission, the annual Winterfest was held in February. This successful effort to create an active waterfront 12 months of the year attracted over 15,000 people to the events and local businesses.

- **Festival of Sail** - the Corporation, in association with Tall Ships 2000 (and its sponsors) and Downtown Dartmouth Development Corporation, have assisted with the Festival of Sail, a complementary sailing event for the east side of the harbour during Tall Ships.

- **Additional Tour Boats** - two marine experiences were added to the waterfront in Halifax. In Dartmouth, the Corporation was successful in attracting two tour boat operators to Dartmouth now managed by Alderney Landing Corporation.

- **Halifax and Dartmouth 250th Anniversary / Natal Day** - both the 250th birthday of Halifax and Dartmouth Natal Day events occurred on the waterfront in 1999 and 2000.

- **International Buskers Festival** - the Buskers Festival returned to the waterfront for its 14th straight year. In 1999, over 550,000 residents and visitors (mostly families) were attracted to the waterfront.

- **Grou Tyme Festival** - the Acadian festival joined us on the waterfront in Halifax for the first time in September of 1999. This musical, cultural and gastronomic event helped extend our season. It will return to the harbour in 2000 in Dartmouth.

- **Dartmouth Signage** - we cost shared in a study of signage needs for the Dartmouth waterfront to respond to the new Alderney Landing Complex.

3. PLANNING

- **Halifax Waterfront Plan** - over $150,000 was spent on consultants, principally for a review of the Halifax waterfront master plan that we financed on behalf of WDCL and HRM.

- **Heliport** - plans were pursued by others for an alternate heliport at the hospitals. In the long term, discontinuance of the heliport air ambulance facility may occur.

- **Partnerships** - in addition to our major partnership with Nova Scotia Power at Tall Ships Quay, we continued with support and promotional partnerships with the Downtown Halifax Business

Commission and the Downtown Dartmouth Development Corporation.

- **Wayfinding and Interpretation** - a project was undertaken to develop, through a consultant's study, a wayfinding and interpretation system for the Halifax waterfront. This will be implemented in phases.

- **Sunday Ferry Service** - in conjunction with HRM and other public and private sponsors, a Sunday winter ferry service was initiated.

4. OUR FINANCIAL RESULTS

- A grant from the Province along with rent for the Interim Casino and contributions from the Federal / Provincial Diversification Agreement provided non-recurring income. These grants represent over half of our net operating income of $1.1 million. The Board of Directors agreed to transfer from our general development fund over $3.3 million which eliminated the past deficit of $2.4 million, and now we show a retained earnings of $826,000 versus $2.5 million deficit the previous year.

- In addition to the positive financial picture, there are other assets on our books that are shown as nil value in our audited statements. The Corporation acquired these properties through government grants (includes over $13 million of wharves, public spaces and boardwalk infrastructure). Also, the bioScience building is rented out at the shareholder's request for a five-year term at below-market lease value to another provincial organization. The residual value of the building and its leasehold improvements is estimated to be over $3 million in replacement value.

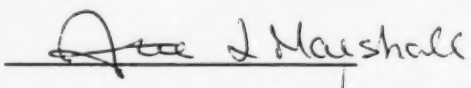
Outlook for 2000 - 2001

- In May 2000, the Government announced the future merger of the provincial Crown Corporation, Bedford Waterfront Development Corporation, with Waterfront Development Corporation Limited. The Government is committed to have a coordinated plan for the provincial interests around the harbour and to eliminate duplication.

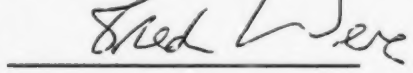
- WDCL's priority is to complete the master plan for the Halifax waterfront, obtain the endorsement of the Municipality and move toward proposal calls for development of selected sites. A 15-year financial projection was developed for the Corporation. It includes an allocation for replacement of the publicly-owned assets.

- The Corporation's strategy is to strive to be self-reliant financially. The implementation of the proposed master plan requires an investment by the Municipality or other levels of government of approximately $5 million. The projection shows an annual tax base for the Municipality of $12 million.

- The most significant project the Corporation is currently implementing at Bishop's Landing will be completed in July 2001 with major public areas to be developed and financed during this year by the Corporation in accordance with our agreement with Summer Wind Developments and HRM.



Annette Marshall, Chair



Fred Were, President

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Waterfront Development Corporation Limited
Financial Statements

March 31, 2000

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Management Statement on Financial Reporting

To the Shareholder of
Waterfront Development Corporation Limited

Management has a responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. An Audit Committee of non-management Directors is appointed by the Board to review the financial statements in detail with management and to report to the Directors prior to their approval of the financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the financial statements in detail and meet separately with both the Audit Committee and management to review their findings. Grant Thornton, Chartered Accountants report directly to the shareholder.

Fred Were
President and Chief Executive Officer

Annette Marshall
Chair
Board of Directors

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Auditors' Report

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000, and the results of its operations and cash flows for the year ended in accordance with generally accepted accounting principles.

Halifax, Nova Scotia
May 12, 2000

Grant Thornton LLP
Chartered Accountants

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Waterfront Development Corporation Limited
Statements of Earnings and Retained Earnings

Year Ended March 31	2000	1999
Revenue		
Rents	$ 3,011,407	$ 2,438,178
Recoveries	3,615	3,430
Interest income	9,932	12,848
Other income	21,125	31,680
Grant revenue		
Overhead recovery	-	162,720
Non-owned infrastructure	196,762	100,000
	3,242,841	2,748,856
Property expenses		
Property taxes	55,321	35,046
Operating	423,797	320,657
Depreciation and amortization	221,280	229,703
	700,398	585,406
Income before other items	2,542,443	2,163,450
Corporate expenses		
Directors fees and expenses	16,701	21,947
Doubtful accounts	1,442	2,442
Office operations	50,219	46,737
Professional fees		
Audit	9,500	9,000
Consultants	54,558	49,749
Planning study	109,337	-
Legal	12,941	47,566
Salaries and benefits	329,476	317,846
Waterfront promotions and public relations	14,677	23,076
	598,851	518,363
Loan interest		
Expense	743,259	715,072
Contributions from the Province of Nova Scotia	(302,400)	-
	440,859	715,072
Depreciation on facilities for public access	79,672	78,228
Contribution to non-owned infrastructure	315,362	100,000
	1,434,744	1,411,663
Net earnings	1,107,699	751,787
Transfer from (to) General Development Fund (Note 7)	2,205,000	(740,000)
Transfer to Deficit	3,312,699	11,787
Deficit, beginning of year	(2,486,652)	(2,498,439)
Retained earnings (deficit), end of year	$ 826,047	$ (2,486,652)

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited
Balance Sheet

March 31	2000	1999
Assets		
Receivables - trade	$ 252,182	$ 122,080
Notes receivable (Note 3)	148,821	176,731
Grants receivable	-	868,768
Prepaids	20,987	-
Real estate and development projects (Note 4)	28,484,825	28,415,660
Deferred pension cost	12,697	13,605
	$ 28,919,512	$ 29,596,844
Liabilities		
Bank indebtedness (Note 5)	$ 343,168	$ 1,091,117
Payables and accruals	502,468	539,550
Loan payable (Note 5)	12,600,000	13,600,000
	13,445,636	15,230,667
Shareholder's Equity		
Capital stock (Note 6)	3	3
General Development Fund (Note 7)	900,000	3,105,000
Contributed surplus	13,747,826	13,747,826
Retained Earnings (deficit)	826,047	(2,486,652)
	15,473,876	14,366,177
	$ 28,919,512	$ 29,596,844

Commitments (Note 8)
On behalf of the Board

Director Director

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited
Statement of Cash Flows

Year Ended March 31	2000	1999
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 1,107,699	$ 751,787
Depreciation and amortization	300,952	307,931
	1,408,651	1,059,718
Change in non-cash operating working capital (Note 9)	(24,543)	(28,206)
	1,384,108	1,031,512
Financing		
Decrease in notes receivable, net	27,910	4,409
Decrease (increase) in capital grants receivable	706,048	(706,048)
(Decrease) increase increase in loan payable	(1,000,000)	7,600,000
Decrease in payable for real estate purchases	-	(1,900,000)
	(266,042)	4,998,361
Investing		
Purchase of		
Equipment	(21,245)	(11,331)
Real estate and construction projects	(348,872)	(6,700,989)
	(370,117)	(6,712,320)
Net increase (decrease) in cash and cash equivalents	747,949	(682,447)
Bank indebtedness, net of cash and cash equivalents Beginning of year	(1,091,117)	(408,670)
End of year	$ (343,168)	$ (1,091,117)

See accompanying notes to the financial statements.

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Capitalization
All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance
Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

Depreciation

Building and equipment
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease
The cost of the lease referred to in Note 5 is amortized over its term.

Development costs
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Bank indebtedness and cash equivalents
Bank indebtedness is comprised of cash on hand, cash held in banks and an operating line of credit.

3. Notes receivable

	2000	1999
Note receivable bearing interest at 7%, repayable in blended monthly payments of $1,185, maturing March 2002, secured by an assignment of land and building.	**$ 26,649**	$ 38,555
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $1,712, maturing June 2006. $75,000 of the principal amount has been guaranteed by a third party.	**104,756**	119,356
Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing April 2008.	17,416	18,820
	$ 148,821	$ 176,731

4. Real estate and development projects

	Cost	Accumulated Depreciation	**Net Book Value**	2000 Net Book Value	1999 Net Book Value
Facilities for public access	$ 6,415,085	$ 1,110,823	**$ 5,304,262**	$ 5,389,160	
Real estate and development projects	27,094,189	3,913,626	**23,180,563**	23,026,500	
	$ 33,509,274	$ 5,024,449	**$ 28,484,825**	$ 28,415,660	

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Credit facility

The Corporation has available a combined credit facility of $14,500,000 bearing interest at prime, less one percent. The line is secured by a guarantee of the Province of Nova Scotia. Of this amount, $1,000,000 has been allocated to operations with the remaining $13,500,000 for capital projects. To date $343,168 and $12,600,000 have been drawn on the operating and capital lines, respectively. In addition, the Corporation has the ability to borrow additional funds on an unsecured basis with interest at prime less ½%.

6. Capital stock

	2000	1999
Authorized:		
5,000 shares without nominal or par value		
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

7. General Development Fund

	2000	1999
Beginning balance	$ 3,105,000	$ 2,365,000
Transfer to (from) operations	(2,205,000)	740,000
Ending balance	$ 900,000	$ 3,105,000

The Board of Directors has established this fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

8. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2001	$ 1,016
2002	1,016
2003	1,016
2004	1,016
2005	1,016

(ii) The Corporation has signed a contract which requires them to provide a piling allowance. As part of the same contract, the Corporation agreed to build a public park.

(iii) During the year, the Corporation accepted an offer to sell a parcel of land on the Dartmouth Waterfront for $221,000. As of the Audit report date the deal has not been closed.

9. Supplemental cash flow information

	2000	1999
Change in non cash operating working capital		
Receivables	$ **(130,102)**	$ (60,847)
Operating grants receivable	**162,720**	(162,720)
Prepaids	**(20,987)**	19,369
Payables and accruals	**(37,082)**	(44,915)
Deposits	**-**	220,000
Deferred pension cost	**908**	907
	$ **(24,543)**	$ (28,206)

9. cont'd...

Bank indebtedness and cash equivalents are comprised of the following:

Cash in bank account and on hand	$ 16,039	$ 8,356
Line of credit	(359,207)	(1,099,473)
	$ (343,168)	$ (1,091,117)
Interest paid	$ 743,259	$ 715,072

10. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

11. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at October 31, 1998 and includes pension assets of $2,387,000,000, and pension liabilities of $2,348,000,000, resulting in a pension surplus of $39,000,000. This surplus has resulted in a pension holiday for its participants. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.